

Internal Revenue Service
Regional Commissioner

Department of the Treasury

Date: NOV 24 1982

Employer Identification Number:

Form Number:

1023

Tax Year:

Application for Recognition of
Key District: Exemption

Person to Contact:

Contact Telephone Number:

Dear Applicant:

This is a final adverse determination as to your exempt status under section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reason(s):

You are neither organized nor operated exclusively for exempt purposes within the meaning of IRC 501(c)(3). Your Articles of Incorporation do not limit your purposes to those exempt under IRC 501(c)(3). Your primary activity, the operation of a food purchasing cooperative, serves private rather than public interests, and is in furtherance of non-exempt purposes.

Contributions to your organization are not deductible under Code section 170.

You are required to file Federal income tax returns on the form indicated above. Based on the financial information you furnished, it appears that returns should be filed for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for an extension of time is granted. Processing of income tax returns and assessment of any taxes due will not be delayed because you have filed a petition for declaratory judgment under Code section 7428. You should file returns for later tax years with the appropriate service center shown in the instructions for those returns.

If you decide to contest this determination under the declaratory judgment provisions of Code section 7428, a petition to the United States Tax Court, the United States Court of Claims, or the district court of the United States for the District of Columbia must be filed within 90 days from the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment.

(over)

We will notify the appropriate State officials of this action as required by Code section 6104(c).

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

(Signed) [REDACTED]
ASSOCIATE CHIEF
CHICAGO APPEALS OFFICE

JUL 9 1961

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(3) of the Internal Revenue Code.

Information shows you were incorporated on [REDACTED] as a non-profit corporation under the Act of Congress approved June 19, 1940, [REDACTED]

The purpose for which the association is formed is to engage in any one or more lawful mode or modes of acquiring, producing, building, operating, manufacturing, furnishing, exchanging, or distributing any type or types of property, commodities, goods or services for the primary and mutual benefit of the patrons of the association (or their patrons, if any) as ultimate consumers.

Membership in the organization is open to all members of the participating churches and other persons irrespective of race, sex, age or religious affiliation by purchasing \$[REDACTED] shares in the cooperative.

The cooperative society was formed by [REDACTED] christian churches for the purpose of purchasing groceries for its membership at the lowest possible prices.

Section 501(c)(3) of the Code provides in part, for the exemption of a corporation that are organized and operated exclusively for religious, charitable, literary, scientific, and educational purposes, no part of the net earnings of which inures to any private shareholder or individual.

Section 1.501(c)(3)-1(b)(1)(i) of the Income Tax Regulations states that an organization is organized exclusively for one or more exempt purposes only if its articles of organization: (a) Limit the purposes of such organization to one or more exempt purposes, and (b) Do not expressly

empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

The Income Tax Regulations 1.501(c)(3)-1(a)(1) provide that an organization may meet the requirements of the Internal Revenue Code 501(c)(3) even though it operates a trade or business as a substantial part of its activities. On the other hand, if the organization has, as its primary purpose, the carrying on of a trade or business then it may not be exempt.

Section 1.501(c)(3)-1(c)(2) of the Income Tax Regulation provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Based on the information furnished the organization is not organized or operated exclusively for one or more of the purposes of section 501(c)(3) of the Internal Revenue Code, since the organization's primary activity is operating a food cooperative for the benefits of its membership who have a \$[REDACTED] share in the organization.

Therefore, you are required to file Forms 1120.

If you do not agree with these conclusions, you may, within thirty days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

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Please keep this determination letter in your permanent records.

If you agree with this determination and are not filing a protest
please sign the enclosed Form 6018, Consent to Proposed Adverse Action.

Sincerely yours,

District Director

Enclosures:
Form 6018
Publication 892